

Message Text

CONFIDENTIAL

PAGE 01 CARACA 07033 101604Z

60

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-03 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 PA-01 PRS-01 (ISO) W

----- 011077

R 101359Z JUL 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9398

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L CARACAS 7033

E.O. 11652: GDS

TAGS: ENRG, PFOR, EINV, VE

SUBJECT: PRESIDENT PEREZ SPEAKS ON PETROLEUM NATIONALIZATION

1. SUMMARY. PRESIDENT CARLOS ANDRES PEREZ DEVOTED MOST OF HIS INDEPENDENCE DAY SPEECH ON JULY 5 TO THE SUBJECT OF NATIONALIZATION OF THE PETROLEUM INDUSTRY. HE REITERATED HIS FIRM INTENTION TO OBTAIN CONGRESSIONAL APPROVAL OF A REVERSION BILL WHICH WOULD
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 07033 101604Z

PERMIT MIXED-PRIVATE STATE DEVELOPMENT OF THE INDUSTRY IN SPECIFIC

CASES. HIS ADDRESS WAS GENERALLY DEFENSIVE REGARDING THE GOVERNMENT'S

HANDLING OF THE NATIONALIZATION ISSUE AND PROGRESS TOWARDS A SMOOTH
TRANSITION FROM PRIVATE TO PUBLIC OWNERSHIP OF THE VITAL INDUSTRY.
END SUMMARY.

2. BEGIN UNCLASSIFIED. PRESIDENT CARLOS ANDRES PEREZ, IN A
MAJOR SPEECH CELEBRATING VENEZUELA'S INDEPENDENCE ON JULY 5,
DEVOTED VIRTUALLY HIS ENTIRE ADDRESS TO THE SUBJECT OF
NATIONALIZATION OF THE PETROLEUM INDUSTRY AND THE GOVERNMENT'S
PLANS FOR FUTURE MANAGEMENT OF THE INDUSTRY. THE PETROLEUM
REVERSION LAW INTRODUCED IN THE VENEZUELAN CONGRESS ON MARCH
12, 1975, HAS MADE SLOW PROGRESS DUE TO UNSUCCESSFUL EFFORTS
TO OBTAIN A CONGRESSIONAL CONSENSUS WITH RELATION TO SEVERAL KEY
PROVISIONS. THE PRINCIPAL CONTROVERSIAL PROVISION OF THE LAW,
ARTICLE 5, RELATES TO AUTHORIZATION FOR THE EXECUTIVE BRANCH OF
THE GOVERNMENT TO FORM MIXED COMPANIES OR OTHER FORMS OF ASSOCIATION
WITH PRIVATE COMPANIES FOR DEVELOPMENT OR OPERATION OF THE INDUSTRY.

3. IN HIS REVIEW OF THE LEGISLATION NOW UNDER CONGRESSIONAL
CONSIDERATION, THE PRESIDENT ASSUMED FULL RESPONSIBILITY FOR PROPOSING

THAT THE LAW PERMIT GOVERNMENT ASSOCIATION WITH PRIVATE INTERESTS
IN ORDER TO ASSURE SUFFICIENT FLEXIBILITY FOR THE INDUSTRY TO
OPERATE SUCCESSFULLY, IN VIEW OF INDISPUTABLE EVIDENCE THAT
VENEZUELA DOES NOT POSSESS THE NECESSARY TECHNOLOGY FOR NORMAL
DEVELOPMENT. HE SAID THAT THE VARIOUS FORMS OF ASSOCIATION WITH
PRIVATE INTERESTS, OF WHICH MIXED COMPANIES WAS ONLY ONE, WOULD
PERMIT THE INDUSTRY TO GO BEYOND SIMPLE OPERATING CONTRACTS WHEN
SUCH ARRANGEMENTS WERE NECESSARY, IN ORDER TO SHARE RISKS AND
ACQUIRE TECHNOLOGY AND MARKETS. THE PRESIDENT SAID THAT MIXED
ENTERPRISES WOULD NOT BE RESORTED TO UNLESS SUCH ARRANGEMENTS
WERE FULLY JUSTIFIABLE. THE PRESIDENT POINTED OUT THAT SUCH
ARRANGEMENTS HAD BEEN USED IN SOCIALIST AS WELL AS CAPITALIST
COUNTRIES AND IN ALL OPEC COUNTRIES WHICH HAVE NATIONALIZED
THEIR PETROLEUM INDUSTRIES.

4. THE PRESIDENT SAID THAT AS SOON AS THE REVERSION LAW IS
PASSED HE WILL DECREE THE ESTABLISHMENT OF PETROLEOS DE VENEZUELA
(PETROVEN), A STATE-OWNED HOLDING COMPANY WHICH WILL OWN THE SHARES
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 07033 101604Z

OF NATIONALIZED COMPANIES, AS WELL AS OF THE CORPORACION VENEZOLANA
DE PETROLEO (CVP) - THE ONLY STATE-OWNED COMPANY AT PRESENT.
INITIALLY, THE COMPANIES WILL CONTINUE TO OPERATE AS SEPARATE
ENTITIES, IN ORDER TO PRESERVE THE STRUCTURE AND ORGANIZATION OF
THE INDUSTRY. PETROVEN WILL BE CHARGED WITH CARRYING OUT THE STATE'S
PETROLEUM POLICY THROUGH THE MINISTRY OF MINES. PETROVEN WILL
STUDY A POSSIBLE CONSOLIDATION OF THE INDUSTRY IN ORDER TO AVOID
DUPLICATION OF EXPENDITURES AND TO IMPROVE EFFICIENCY. THE

PRESIDENT ANNOUNCED THAT PETROVEN'S NINE-MEMBER BOARD OF DIRECTORS HAS ALREADY BEEN CHOSEN (THE EMBASSY IS RELIABLY INFORMED THAT GENERAL RAFAEL ALFONZO RAVARD WILL BE PRESIDENT.)

5. THE PRESIDENT NEXT REVIEWED THE PROGRESS OF CONVERSATIONS WITH PETROLEUM COMPANIES WHICH HAVE BEEN CONDUCTED BY A "HIGH LEVEL COMMISSION" HEADED BY GEN. ALFONZO RAVARD TO STUDY PROBLEMS ARISING FROM NATIONALIZATION AND TO PROVIDE FOR A SMOOTH TRANSITION TO A NATIONALIZED INDUSTRY. THE PRESIDENT SAID THAT THE MINISTRY OF MINES AND HYDROCARBONS IS ANALYZING PROPOSALS CONCERNING TECHNOLOGICAL ASSISTANCE, ACQUISITION OF CRUDE OIL AND PRODUCTS, AND TRANSFER OF PERSONNEL SUBMITTED BY COMPANIES TO THE COMMISSION.

6. THE PRESIDENT SAID FRANKLY THAT THE DECISION TO NATIONALIZE THE PETROLEUM INDUSTRY CARRIED WITH IT NUMEROUS RISKS IN VIEW OF THE TECHNOLOGICAL COMPLEXITIES AND VENEZUELA'S LIMITATIONS IN HUMAN, SCIENTIFIC AND TECHNOLOGICAL RESOURCES. HE REMINDED HIS COUNTRYMEN OF VENEZUELA'S DECISION TO NATIONALIZE ITS PETROLEUM INDUSTRY IN A PEACEFUL MANNER, JUST AS IT HAD HANDLED THE NATIONALIZATION OF THE IRON MINES. HE COMMENTED POINTEDLY THAT THE ENTIRE WORLD IS ALSO WATCHING THE CONDUCT AND ATTITUDE OF THE TRANSNATIONAL COMPANIES INVOLVED IN ORDER TO SEE WHETHER THEIR CONDUCT WOULD PERMIT DEVELOPING COUNTRIES TO DEFEND THEIR BASIC RESOURCES THROUGH PEACEFUL MEANS OR WHETHER THE ONLY ALTERNATIVE WOULD BE REVOLUTION OR VIOLENCE. THE PRESIDENT CONFIRMED VENEZUELA'S DESIRE TO REACH AN UNDERSTANDING WITH THE COMPANIES IN ORDER THAT VENEZUELA'S NATIONALIZED INDUSTRY MIGHT TAKE ADVANTAGE OF THEIR TECHNOLOGICAL AND MARKETING CAPACITIES. HE SAID, HOWEVER, THAT COMPANIES MUST CHANGE THEIR WAYS IF THEY EXPECT TO REACH AGREEMENT WITH A GOVERNMENT DEDICATED TO DEFENDING ITS ECONOMIC SOVEREIGNTY. END UNCLASSIFIED.

7. COMMENT. BEGIN CONFIDENTIAL. THE PRESIDENT'S COMMENTS ON ARTICLE 5 OF THE REVERSION LAW APPEAR TO CONFIRM HIS DETERMINATION CONFIDENTIAL

CONFIDENTIAL

PAGE 04 CARACA 07033 101604Z

TO PRESS FOR APPROVAL OF THE CONTROVERSIAL ARTICLE IN SUBSTANTIALLY ITS PRESENT FORM, WITH OR WITHOUT THE CONCURRENCE OF OPPOSITION PARTIES.

8. THE PRESIDENT'S REMARKS ON FUTURE PLANS FOR THE NATIONALIZED INDUSTRY AND DISCUSSIONS WITH PETROLEUM COMPANIES WERE PROBABLY DESIGNED TO COUNTER INCREASING CRITICISM OF SLOW PROGRESS IN ARRANGING FOR THE TRANSITION OF THE INDUSTRY TO STATE OWNERSHIP. EMBASSY CONTACTS WITH THE COMPANIES CONFIRM THAT PROGRESS SO FAR IN MAKING CONCRETE PLANS FOR THE INDUSTRY'S FUTURE ARE INDEED SLOW. A CREOLE DIRECTOR COMPLAINED THAT THE GOV HAS NOT REACTED TO SEVERAL PROPOSALS WHICH HIS COMPANY HAS MADE REGARDING FUTURE RELATIONSHIPS. HE ALSO INDICATED THAT THE GOV WAS TAKEN ABACK BY EXXON'S UNWILLINGNESS TO CONTINUE MARKETING LARGE QUANTITIES OF RESIDUAL FUEL OIL AFTER NATIONALIZATION - A PRODUCT ON WHICH THE COMPANY LOSES

MONEY. THE GOV HAS BEEN SLOW IN INITIATING CONVERSATIONS WITH SOME
OF THE SMALLER COMPANIES.
SHLAUDEMAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, PETROLEUM INDUSTRY, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA07033
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750239-0859
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750766/aaaacgqf.tel
Line Count: 172
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2003 by Izenbel0>; APPROVED <03 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRESIDENT PEREZ SPEAKS ON PETROLEUM NATIONALIZATION
TAGS: ENRG, PFOR, EINV, VE, (PEREZ, CARLOS ANDRES)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006